Shell companies in the Philippines
Message from the Country Chairman
Overview
Policy and Commitment
HSE Performance Highlights
Health
Safety
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Sustainable Development
Shell General Business Principles

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ABOUT THIS REPORT
There are 7,107 awe-inspiring islands in the Philippines. Each island is as unique as the captivating scenic wonders found, as remarkable as the diversity of culture embodied in its people.

To adhere to Shell’s policy of no harm to its people and the environment, Shell conducts its business with Health, Safety and Environment (HSE) as its primary concern, in the Philippines and the rest of the world.

This report reflects the many initiatives and performance in HSE of the Shell companies in the Philippines for the year 2006.

The Cover
Tawi-Tawi is one of the two provinces of Sulu. Located at the southernmost tip of Mindanao, it boasts of white, sandy beaches and rocky coasts spread over 107 islands and islets. Shell reaches out to this distant province with various sustainable development programmes.
SHELL COMPANIES IN THE PHILIPPINES

The Shell companies in the Philippines (SciP) is a member of The Shell Group, also referred to as Group, which operates in over 135 countries in the world.

Shell’s partnership with the Filipinos started in 1914 when Shell established its corporate presence and organised its first trading office. Today, the Shell companies in the Philippines (SciP) is one of the largest private investors in the country, composed of different companies involved in the upstream and downstream aspects of the oil and gas industry.

Pilipinas Shell Petroleum Corporation (PSPC)
PSPC serves customers in almost every field of transport, commerce and industry with a wide range of high quality fuels, lubricants, liquefied petroleum gas, aviation fuel, bitumen and other specialty products.

Shell Shared Services Center - Manila (SSSC-Manila)
Formerly known as Shell Shared Services Asia, B.V., SSSC-Manila was established in 2004 and initially handled part of the transactional accounting work for Shell Oil Products US (SOPUS) and Motiva. It provides accounting, human resources and other business-related processing using IT-enabled facilities for Shell companies operating in various parts of the world.

Shell Gas Eastern, Inc. (SGEI) and Shell Gas Trading Asia Pacific (SGTAP)
SGEI operates the only refrigerated propane and butane entrepot terminal in the Philippines, while SGTAP is responsible for pressurised LPG trading East of Suez.

Shell Philippines Exploration B.V. (SPEX)
SPEX is the developer of the Malampaya Deepwater Gas-to-Power Project and operator of its upstream component on behalf of joint venture partners, ChevronTexaco Malampaya LLC and the Philippine National Oil Company Exploration Corporation. Its operation involves the extraction, processing and transport of natural gas.

Shell Chemicals Philippines, Inc. (SCPI)
SCPI is the country’s world-class petrochemicals supplier with an extensive link of modern oil refineries, state-of-the-art petrochemical complexes and trading networks.

Shell Solar Philippines Corporation (SSPC)
SSPC studies, builds and operates projects that involve solar power and renewables. It designs and provides solar lighting solutions for domestic and commercial applications.

Pilipinas Shell Foundation, Inc. (PSFI)
Established in 1982 with a seed fund from PSPC, Pilipinas Shell Foundation, Inc. is dedicated to the mission of enabling the disadvantaged to become productive and responsible members of society.

Notwithstanding the diversity of the companies under its wings, all Shell companies in the Philippines operate under the guidance of the same set of core values – honesty, integrity, and respect for people. In all its conducts and affairs, all the Shell companies are governed by the Shell General Business Principles and ably guided by a common belief in the fundamental importance of trust, openness, teamwork, professionalism and pride in what they do.
MESSAGE FROM THE COUNTRY CHAIRMAN

Shell is a company driven by its core values of honesty, integrity and respect for people. Our values serve as the foundation for our business principles, which offer Shell’s overall commitment to Sustainable Development (SD).

Our SD thrust drives the way we conduct our operations, in a socially and environmentally responsible manner. It requires us to continue to improve our performance in Health, Safety and Environment (HSE), to ensure no harm to people and the environment.

In 2006, we globally launched the HSE Golden Rules: Comply with the law, standards and procedures, Intervene in unsafe or non-compliant situations and Respect our neighbours. The Golden Rules aim to further amplify our commitment towards HSE. At Shell, HSE is placed with utmost importance – it is our licence to operate.

Our performance in this area is an excellent barometer of whether we can continue to operate in a community. We cannot operate where we do harm to the environment and the community or put our employees at risk. Like any critical business activity, we make it a part of everything we do.

The practice of good HSE is implemented everywhere Shell operations are present. It is but fitting that our HSE performance and accomplishments are described with the beautiful Philippine sceneries serving as our backdrop. This is reflected in the many places where Shell operates and touches many an islander’s life.

May the beauty of the Philippine islands inspire and move you for the greater good of our people and the protection of our environment.

Edgar O. Chua
Country Chairman
Shell companies in the Philippines
OVERVIEW

This report outlines the performance and accomplishments of the Shell companies in the Philippines for the year 2006. This covers the areas of Health, Safety, and Environment (HSE) in line with its commitment to report its HSE performance.

There are five chapters in this report. The first chapter covers Shell’s Policy and Commitment as well as a summary of its businesses in the Philippines. Chapters two to four feature the highlights of the company’s HSE performance. The last chapter presents some of the broader programmes on Sustainable Development (SD).

The Shell Group of companies operates under a common set of business principles, supported by policies and business controls. These include a Group HSE Commitment and Policy (the Shell Group Commitment and the HSE Policy), which require that every Shell company shall have a systematic approach to HSE management.

Shell in the Philippines updated its HSE policy in October 2003 requiring its companies to manage HSE matters. Like any other critical business activity, it sets targets for improvements and measures, then appraises and reports performance.

The management of security is also an integral part of Shell’s policy and the term HSSE (Health, Safety, Security and Environment) is sometimes used to reflect this.

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Palawan

The country’s fourth-largest island group is blessed with 1,768 islands and islets of coves, beaches and virgin forests and is located southwest of the Philippines. Shell is a strong supporter of numerous sustainable development projects, together with the Malampaya Joint Venture Partners.
POLICY AND COMMITMENT

Shell companies in the Philippines are committed to:

• Pursue the goal of no harm to people
• Protect the environment in a manner that is consistent with the principles of Sustainable Development
• Use materials and energy efficiently to provide its products and services
• Develop energy resources, products and services consistent with these aims
• Publicly report its performance
• Play a leading role in promoting best practice in its industries
• Create a secure business environment that minimises economic loss and business disruption while safeguarding its people
• Manage HSE matters as any other critical business activity
• Promote a culture in which all Shell employees share this commitment

HSE MANAGEMENT IN SciP

Shell comprehensively manages health, safety and environment as a critical part of its business process. In the Philippines, Shell’s HSE-MS is fully aligned with the Shell Group’s standards and employs a systematic approach to achieve continuous performance improvement. To ensure success, the following key elements are required in the process:

Visible management leadership
The senior executives of each business collectively and individually provide visible HSE leadership and commitment. They set a personal example, hold key staff accountable for HSE management and ensure sufficient resources are committed. This is to ensure that the HSE Policy and the Group Procedure will be appropriately implemented in their line of business.
Policy and strategic objectives
Consistent with its commitment to contribute to the principles of Sustainable Development, all lines of business have adopted the following HSE policy:
• Have a systematic approach to HSE management designed to ensure compliance with the law and to achieve continuous performance improvement
• Set targets for improvement and to measure, appraise and report its performance
• Require contractors and other business partners to manage HSE in line with this policy
• Require joint ventures under its operational control to apply this policy, and use its influence to promote it in the company's other ventures
• Include HSE performance in the appraisal of all employees

Organisational responsibilities
HSE is clearly a line responsibility and is managed by every manager responsible for each business or function. This responsibility includes HSE planning and performance appraisal as part of overall business management. This is to ensure legal compliance and implementation of Shell Group policies and standards. Each business defines and communicates clear roles and responsibilities for achieving these within its area of activity.

Hazards and Effects Management Process (HEMP)
Part of Shell's management of risk is the anticipation of what can go wrong. Through HEMP, each business does an inventory of its critical activities and operational risks together with the possible effects on people's health and safety, property, environment, and business reputation.
Standards, procedures and document control
Individual line of business HSE-MS’s address the integration of HSE management into their business planning. Each year, programmes for HSE management are integrated into line of business plans as part of the Targets and Resources process, including the formulation of short and medium term HSE improvement targets and action plans.

Implementation, monitoring and corrective action
To ensure compliance, HSE auditing is conducted in accordance with the requirements of the HSE Panel. HSE Auditing of Line of Business Activities include all HSE critical operations and installations at least once every five years. Similarly, the country HSE-MS framework is independently audited every five years.

Utilising a process feedback loop, the key elements in Shell’s HSE-MS allow for a conscientious approach in managing health, safety and environment risks in each line of business.

Shell’s senior leaders provide direction on HSE management in their respective businesses. Every year, they set strategic objectives that support the HSE commitment and policy, which are integral to the company’s performance scorecard.
HSE PERFORMANCE HIGHLIGHTS 2006

Shell companies in the Philippines (SciP)’s performance in Health, Safety, Security and Environment (HSSE) remained strong in 2006 with most businesses meeting safety targets on metrics such as fatalities and lost time injuries (LTIs).

In January 2006, the Global Health One organisation was launched to manage health and medical services for all Shell companies. Health One aims to improve operational excellence of corporate health services, reduce costs and to streamline the execution of medical response.

The company also launched the HSE Golden Rules, which aim to amplify the HSE commitment across the Shell community and simplify the requirements, as follows:

You and I will:
• Comply with the law, standards and procedures
• Intervene in unsafe and non-compliant situations
• Respect our neighbours

These Golden Rules were cascaded during the 5th Health, Safety, Security and Environment (HSSE) Week held in June 2006, across all Shell sites in the Philippines with the theme ‘Leadership at Every Level’ for 2006. The celebration included activities such as blood donation drives, an HIV-AIDS awareness campaign, HSE trainings, tree planting activities, and security awareness seminars.

The Country HSSE Management System was updated in September to reflect changes and revisions on existing policies and guidelines related to Health, Safety, Security and Environment. The SciP Crisis Management Plan was also updated in October 2006 to align with the Shell Global Crisis Plan, among other pertinent revisions.
Dubbed as the last frontier of the Philippines, Palawan is the fourth largest island group. Mountainous forests, breathtaking beaches, rugged cliffs and coasts are spread over 1,768 islands stretching from Busuanga up north to Balabac down south. Palawan is home to the St. Paul underground river in Sabang, the largest navigable river in the world. Just off its shoreline lies the 33,200 hectare Tubbataha Reef Marine Park, a UNESCO World Heritage Site by virtue of its outstanding biodiversity. Palawan is similarly home to Shell’s oil depot, Malampaya natural gas exploration project, and numerous sustainable development programmes.
OVERVIEW

Shell carries out its business in a manner that protects its employees, business partners and neighbours from harm. It complements this with physical, mental and social programmes that promote their well-being.

2006 marked a good year for Health Services as it achieved several milestones, maintained its delivery and promotion of better health programmes to staff and dependents.

Among the 2006 milestones, Shell companies in the Philippines (SciP) turned in an excellent performance in surpassing the score on the Minimum Health Management Standards (MHMS).

Some of the year’s more notable programmes include HIV Voluntary Counselling and Testing (VCT), mass vaccination against seasonal influenza, the Blood Supply Programme, and the continuation of the Food Safety Programme.

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>MHMS Score</th>
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<tr>
<td>Exploration and Production</td>
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<tr>
<td>Manufacturing</td>
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<td>Distribution</td>
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<td>Aviation</td>
<td>3.20</td>
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<tr>
<td>Chemicals</td>
<td>3.30</td>
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</tbody>
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Minimum Health Management Standards

Shell companies in the Philippines continued exceeding its past performance in terms of Minimum Health Management Standards (MHMS) with almost each business unit surpassing the target of 2.8.

This proved that the Seven (7) MHMS are fully imbedded in each of the Shell businesses. These are:

1. Fitness for Work
2. Local Health Facilities and Medical Emergency
3. Health Risk Assessment
4. Monitoring of Health Performance and Incident Reporting and Investigation
5. Health Impact Assessment
6. Human Factors Engineering in New Projects
7. Product Stewardship

MHMS is being applied in the work system, with control and recovery measures being implemented to minimise the health risks to all staff. Regular cross checks of its applications are conducted to maintain its full functionality within operations and across all businesses. Awareness and Knowledge Workshops about the seven MHMS are continuously being conducted for HSE locals and staff who are responsible for its implementation.

Shell Health Services Launch Health One

The year 2006 witnessed the rebirth of Shell Health Services with the successful launch of the "Health One" organisation. Health One aims to improve operational excellence of corporate health services, reduce costs and to streamline the execution of medical response. The new organisation offers a globally integrated health resource that ensures easy access to other countries’ experiences, knowledge and expertise. The new organisation also promises a more aggressive role for the health team in support of the Shell business within each country or region.
Health Programmes in 2006

HIV Voluntary Counseling and Testing
Four hundred and fifty-six (456) staff and contractors participated in this activity, which was conducted at Shell sites nationwide on June 15, 2006. A survey revealed a high awareness level with an overwhelming response rate of 70%. HIV VCT was free and voluntary to all staff interested in increasing their knowledge on how to protect themselves against exposure to HIV/AIDS.

Mass Flu Vaccination
During the SD-HSSE Week, the company offered free vaccine against seasonal influenza. A total of six hundred and sixty-four (664) staff were vaccinated at Shell House, Pandacan, RCBC Plaza, SPEX Alabang, Tabangao, Keppel in Cebu, Cagayan de Oro, Sasa, Bacolod and Aviation NAIA. The vaccination drive is pursuant to the thrust of Shell to safeguard health, and in accordance with the view of the World Health Organisation (WHO) that ideally, all individuals should have the opportunity to be vaccinated against influenza. Vital information was also released to the staff during the week-long celebration.

Blood Supply Programme
One hundred and seventy-seven (177) staff and contractors from sixteen (16) major sites of Shell donated a total of 80 litres of blood during the SD-HSSE Week. Staff and contractors from Shell House, Pandacan, Tabangao, SPEX Alabang, Keppel in Cebu, Bacolod, Lapus, Anibong, Cabadbaran, Jimenez, Culasi, Aviation, Poro, and Currimao, participated in this activity. The Blood Supply Programme is in fulfillment of Shell’s commitment to safeguarding the health of the staff and their dependents in times of need.
Food Safety Programme
In 2006, the Food Safety Programme was extended to all canteens, concessionaires, caterers, and hotels that serve Shell. As part of the accreditation process, Food Safety check-ups were conducted to ensure that safe and quality food were always served to Shell staff and customers.

The Food Safety Management of Shell for its convenience retail stores continued to reap success in maintaining the quality of consumer products sold in Shell Select shops via numerous Food Safety Training courses. Shell Select suppliers and locators were also engaged to align with Shell’s Food Safety requirements and procedures while outstanding performances of the Food Safety Officers were recognised during the annual Food Safety Convention.

Best Store in Food Safety
- Winner: Sam’s Shell Service Station
- 1st Runner Up: Diwal Mindanao Avenue, Customer’s Cradles Corporation, and Comida Shell Service Station
- 2nd Runner Up: SLT Shell Service Station, Select Lamuan Convenience Store, Diwal SLT 2 Select and Gas Station, and Sialay Shell Truck Stop Station 2

Most Improved Store in Food Safety
- Winner: Head Gasmasters Shell Station
- 1st Runner Up: Diwal Emerald

Best Food Safety Officer of the Year
- Winner: Ma. Lenny Dela Peña of Sam’s Shell Service Station
- 1st Runner Up: Jimmy Estrada and Armin Sabile of Diwal SLT of Diwal SLT2
- 2nd Runner Up: Ana Pitong of Comida Shell Service Station

Cebu
Known for its beautiful coastlines and splendid beaches, Cebu is a premier tourist and business destination. Its capital, Cebu City, is acknowledged as the queen city of the south. Shell operates a wide network of service stations all across Cebu and the rest of the Visayas.
Manila is the capital of the Philippines and the site of the world-famous, glorious Manila bay sunset. At its heart lies the Walled City of Intramuros, acclaimed as one of the world’s best-preserved medieval cities. The city is bustling, cosmopolitan, and never boring - from the bright lights and infectious sounds of Malate to the old-world charm of Binondo. Farther east of Manila, one can find the Shell depot in Pandacan which supplies half of the country’s oil demand.

The Pilipinas Shell corporate headquarters is located in the nearby city of Makati, the country’s premier business capital.
OVERVIEW

Safety in the various worksites and all levels of Shell's business operations is strictly enforced to make sure that the work environment of the company's employees and anyone who comes in contact with our operations is injury and accident-free.

To help institute and implement safety programmes in the workplace, the Enhanced Safety Management was rolled out by Shell in 1985 to all the operating companies. This was modified in 1997 as the HSE-Management System that integrates safety in dealing with health and environmental risks in all aspects of operations.

Shell's safety performance is primarily measured through Lost Time Injury (LTI), Total Recordable Cases (TRC) and the number of fatalities. Monitoring of these allows the company to assess existing measures and implement procedures to improve them.

For 2006, Shell continued to improve on its safety performance. PSPC turned in a strong year with a record of zero fatalities and Lost Time Injuries (LTIs) during the course of operations. Activities and programmes that focus on Emergency Response Procedure, Road Safety and Safety Check Audit were undertaken to enhance safety across all Shell companies, its customers and target publics. The performance represents a record high score in the last seven years and is a marked improvement over the previous year.

SAFETY STANDARDS, PROCEDURES AND POLICIES

To ensure safety management in the workplace, HSE-MS requires each operating unit to adhere to the following safety standards, procedures and policies:
- Classify incidents in an accurate and timely manner
- Monitor and report safety performance based on HSE targets and objectives
- Conduct risk assessment
- Secure required work permits for all maintenance activities
- Supervise workers on site
- Conduct thorough investigation and analysis of incidents

Proactive tools support these activities to ensure a methodical approach to managing safety:
- Emergency Response Procedure - this is in place in all operating units to capably handle emergencies and crises that can affect health, safety and the environment.
- Safe Act Auditing and Safety Training Observation Programme - these are complementary tools to immediately identify and correct unsafe acts and conditions in the workplace.

The efficacy of these systems and procedures are evident in the safety performance of Shell's businesses.
EMERGENCY RESPONSE PROCEDURE

Emergencies and crises can happen anytime, often when least expected. To ensure readiness in handling these, Shell has an Emergency Response Procedure in all operating units.

Fire Fighting and Fire Prevention
Throughout 2006, Shell conducted seminars on fire fighting and prevention in its various operations. This included training for passenger vessels, Lubricants Supply chain fire hose and Self-Contained Breathing Apparatus (SCBA) teams, among others. The sessions were conducted in partnership with fire fighting specialists and volunteer fire brigades.

First Aid Training
Shell regularly conducts first aid training not just for its own staff, but for various stakeholders. In 2006, Shell conducted training on basic life support and standard first aid for Retail forecourt staff, service station dealers, third party contractors, SSSC-Manila’s Emergency Response Team, Shell House and Pandacan staff, among others.

The training provided basic rescue and first aid education including guidelines in giving emergency care, patient/casualty handling, soft tissue, bones, joints, and muscle injuries, preventive shock management, common emergencies, bandaging techniques and cardio pulmonary resuscitation (CPR). The training aims to make the workplace safer, improve the team members’ ability to save a life, and prevent an injury from becoming serious. Philippine National Red Cross jointly conducts the first aid training with Shell Health Services.

Oil Spill Contingency Planning
Shell was given high recognition for its clear and comprehensive contingency plans in case of an oil spill during a presentation of its Oil Spill Contingency Plans and Programmes to the Department of Environment and Natural Resources (DENR), Coast Guard, Bureau of Fisheries and Aquatic Resources (BFAR), media and various Local Government Units (LGUs) in Saranggani Province and General Santos City. Shell’s strong HSE leadership standard was acknowledged by the LGUs, who were impressed with the goals set by Shell in complying with regulations and in preventing oil spill incidents.

Malampaya Maintenance Shutdown Preparedness
Four hundred (400) temporary personnel participated in the Malampaya maintenance shutdown held from November to December 2006. The crew was trained for twenty-five (25) days on shutdown procedures by the Shell Philippines Exploration B.V. (SPEX) Health, Safety, Security and Environment (HSSE) team.

After five years of operating Lost-time- Incidents-free, SPEX faced the challenge of conducting a safe maintenance shutdown in Malampaya. In preparation for the shutdown, the crew underwent rigorous safety training, covering everything from basic safety behaviours like the proper use of safety gear to specific procedures such as handling hazardous materials.

LTI-Free Million Manhours Milestone
One Million Man-hour Incident Free for SSSC-Manila
SSSC-Manila attained its first major achievement in HSE, signifying the Centre’s zero Total Recordable Cases and zero Lost Time due for one (1) million continuous man-hours. With the constant on-boarding of new staff on HSE policies, standards, and commitments, Shell’s new operating unit showed a feat in meeting the HSE challenge.
ROAD SAFETY

Shell’s excellent track record in road safety continues even with third party contractors, with lorry drivers registering zero recordable fatality incidents. Shell’s concern for safety also extends beyond its staff and contractors as evidenced by its public information programmes, such as the “Balik Eskuwela, Balik Road Safety” seminar.

PARDS Safety Excellence for Lorry Drivers

Propesyonal At Responsableng Draybers (PARDS) is the Lorry Drivers’ League incentive programme of Shell Distribution Philippines-Road Transport. This continuing programme recognises the excellent safety performance of contracted lorry drivers of each Distribution worksite and provides a long term, sustainable motivation to nurture a proactive HSE culture.

Held annually, PARDS rewards deserving lorry drivers with certificates of excellence and cash incentives classified in three (3) categories: Class A (highest), B and C.

In 2006, the PARDS Incentive Programme capped another year of ZERO Recordable Fatality incidents as well as a very significant reduction in road transport incidents.

In 2006, two additional recognition awards were introduced: STRIPES (Support Teams’ Recognition and Incentive Programme for Efficiency and Safety) for “pit crew” mechanics and TRIP (Trip Rating Incentive Programme) for the hauler dispatchers.

STRIPES recognised the "pit crew" maintenance mechanics who performed tasks according to proper procedure and ensured that all lorries are roadworthy and safe, while TRIP recognised the hauler dispatchers who demonstrated a balanced safety record and financial performance.

A new addition to the 2006 PARDS programme is the recognition place award for consistent Class A+ PARDS for eight (8) consecutive years of consistent excellent safety performance of lorry drivers.

Shell’s “Five Forecourt Safety Pillars” becomes a National Ordinance

Shell launched the Retail Forecourt Safety Advocacy in February 2005, wherein Shell’s retail customers were engaged and educated to comply with Five Forecourt Safety Pillars while refilling in retail stations. The five Safety Pillars include Only Authorised Containers to be Filled, No Smoking, No Using of Cellphone, No Straddling on Motorbikes, and Switch Off Engine. The customer campaign was sustained through advocacy with the government, resulting in the enactment of ordinances by local town and city councils.

To date, there have been 183 Municipal Ordinances enacted to implement the safety standards in retail stations. Recently, the Department of Interior and Local Government (DILG) issued a circular mandating all Local Government Units (LGUs) to enact laws on forecourt safety, enabling a faster pace for the implementation of Shell’s Safety Pillars.
Commercial Fuels Make HSE a Value Proposition for Customers

2006 was a tremendously challenging year for Commercial Fuels. Customers, mostly from the power sector, shifted to cheaper alternative sources of energy like coal. The higher cost of fuel resulted in tougher market competition.

Despite the business challenges, Commercial Fuels did not waver in its HSE commitment. Instead, it used HSE as part of its customer value proposition to keep businesses, gain new accounts, and stay ahead of the competition.

Safety training and facilities improvements after HSE audits have helped the sales team make comprehensive offers to extend supply contracts with customers.

With the revitalisation of the mining industry, the highest HSE standards have been a serious aspiration for mining companies in view of the many hazards related to their operations. Two key mining accounts were gained in 2006 with strong focus on HSE support.

Balik Eskwela, Balik Road Safety

Shell conducted a road safety seminar in May 2006 for Carlos P. Garcia High School in Pandacan, Manila. Eighty-seven (87) participants composed of students, parents, and school faculty and staff, were educated on the importance of taking pedestrian safety precautions. Participants were given guidance on the road safety regulations implemented by Shell and the joint venture company, Pandanaco Depots Services along the access road leading to the depot.

Insights generated from the seminar were incorporated into the school’s “Brigada Eskwela” programme, as well as into the orientation programme conducted for students.

Safety Check Audit

To spot and rectify unsafe acts and conditions in the workplace, Shell carries out safety checks on a regular as well as per-need basis for its customers. From ensuring marine safety to conducting site inspections, performing these audits help enhance the appreciation of customers on the importance of HSE.

Engineering Site Inspection

An Engineering Site Inspection was conducted in July 2006 for the equipment of Taganito Mining Corporation.

Marine Safety

Shell conducted a Marine Safety Shipshore Checklist Training Seminar for Del Monte Corporation in November 2006. The seminar delved on training and preparedness for any contingency related to receiving and storing petroleum products. Shell similarly facilitated the immediate installation of insulating flanges to ensure port safety, which Del Monte appreciated.

Tank Inspection

Shell Engineering conducted an inspection of the existing vertical tank at Philippine Sinter in December 2006. This is a proactive service in helping enhance Shell customers awareness of HSE.
Safety Starts With You Campaign

In June 2006, Shell Philippines Exploration B.V. (SPEX) celebrated safety week by implementing a SAFETY STARTS WITH YOU CAMPAIGN, encouraging staff to practice safety as a way of life. The event also highlighted the importance of the three Golden Rules of HSE. Amongst the activities held was the Lunch Box Safety Session that underscored the importance of the Safety Observation Card (SOC).

SOC is a four-way safety observation process: Observe unsafe work practices; act by stopping work and doing the necessary action; discuss observations with concerned parties; and document observations, actions taken and discussions. SOC could reduce unsafe acts and conditions, and prevent accidents that result in fatalities and lost time injuries.

Manila
The capital of the Philippines, Manila is located on the eastern shore of Manila Bay on Luzon island. It is one of the country’s most historic city, being the site of the Hispanic enclave of Intramuros, the Malacanang Palace, among other important landmarks. Shell’s largest depot is located in Pandacan, Manila, where the company also runs health, safety and environment programmes for the community residents.
At 2,440 square kilometres, Davao is one of the largest cities in the world in terms of land area. Located in Mindanao, Davao City takes pride in having some of the finest beach and mountain resorts in the Philippines. Splendid beaches are just a few hours drive away while Mt. Apo, the country’s highest peak, looms imposingly above the city. From running the Sasa depot to supporting various livelihood and environment protection projects, Shell maintains an active presence in Davao and elsewhere in Mindanao.
OVERVIEW

In 2006, Shell sustained its commitment to the protection and preservation of the environment with programmes that focused on coastal and waterways management, recycling, and protection of flora and fauna.

Shell operates its business in compliance with local and global standards and regulations. By using a systematic and comprehensive approach to managing existing and future environment needs, the company is able to look at the environmental performance of all its businesses to ensure that each operating unit conforms to the company’s environmental standards and policies.

Shell manages environmental risks by:
• Identifying and reducing actual or potential company exposure to environmental liabilities
• Providing assurance that operations do not have unacceptable environmental effects
• Giving timely warning of situations that may need improvement
• Transferring know-how of cost effective environmental technologies
• Measuring procedures and documenting the company’s environmental status

Environmental Assessment
The company regularly conducts an assessment of its business operations to deal with existing and potential environmental conditions through an Integrated Management System Audit.

Managing Environmental Effects
Shell recognises its role in managing the potential effects of its operations and its products on the environment.

The company’s design of facilities, choice of materials and method of operations are integrated in the project’s environmental assessment.

All business units consistently evaluate every aspect of their operations in the workplace, plant or facility to identify and assess the impact it will have on the environment and introduce measures to prevent or minimise them.

As part of product stewardship, Shell’s products are properly labeled not only to aid the consumer on how to correctly use them, but also with the right way to dispose them. The company also initiated proper waste collection programmes to support responsible waste disposal. The company similarly recognised activities that can minimise existing or potential impact as part of managing environmental effects.

Ensuring Environmental Compliance
Shell invests in improving the knowledge and skills of the staff through various seminars and workshops that enhance their capability, and in the end, benefit the company’s performance in health, safety and environment. On matters related to the environment, Shell shares its know-how on standards, best practices, resources and new technologies.

Shell also organises instructional trainings for its customers, stakeholders, and business partners to share new ideas of working and doing that have the potential to benefit the environment.
COASTAL AND RIVER MANAGEMENT

Clean waterways are becoming increasingly a concern in the Philippines. Taking steps to help address this concern, Shell undertakes programmes that protect, rehabilitate and reinvigorate the country’s rivers and coastal areas.

Coastal Clean-ups
Shell depots like Amlan and Dadiangas showed their commitment to HSE and Sustainable Development with their respective coastal site clean-up projects.

In Amlan, Depot personnel initiated the clean-up of the Amlan Tandayag coastline supported by local residents, barangay officials, contractors and haulers. On the other hand, the Dadiangas team celebrated the 21st International Coastal Clean-up Day in General Santos in September 2006. Different companies and establishments in General Santos City participated in the event.

A Run to Rehabilitate Pasig River
Pilipinas Shell Petroleum Corporation (PSPC) supported the Pasig River Heritage Marathon for the second year in February 2006. Almost eight thousand (8,000) marathoners and health enthusiasts, including former President Fidel Ramos, flocked to show their support for the cause of Pasig River.

The Philippine Marathon for the Pasig River is an official international marathon event organised by the Clean and Green Foundation led by former First Lady Amelita Ramos, for the continuing effort to rehabilitate and revitalise the Pasig River.

Batangas Coastal Resource Management
At the initiative of Shell Tabangao Refinery, the Batangas Coastal Resources Management Foundation (BCRMF) was formed. An environmental foundation composed of more than 20 industries in the Tabangao area, BCRMF undertakes environmental projects and programmes in partnership with the provincial and municipal or city governments, educational institutions, government agencies, NGOs and other groups. The Foundation has implemented award-winning activities including an artificial reef project, Water Quality Monitoring of Batangas Bay and Calumpang River, environmental congress for the youth, environmental training for member industries, coastal management policy and strategy formulation.
**Shell Pililia Asset Closure and Environmental Clean-up Project (SPACE CUP)**

In 2006, the Shell Pililia Asset Closure and Environmental Clean-up Project (SPACE CUP) completed the most comprehensive environmental site investigation at its former Baseoil Refinery in Rizal in order to establish baseline conditions of soil and groundwater. A human risk assessment, an ecological risk assessment, and a fate and transport modeling were completed consistent with Shell’s methodology of Risk-Base Corrective Action (RBCA). Phase 1 of the remediation likewise commenced in 2006 with the clean-up of the South Annex property where industrial waste had been previously managed.

PSPC’s key objective is to remediate the site in order to ensure that it is in a condition that does not present an intolerable risk to people, asset, the environment or Shell’s reputation. The site will be re-developed and made suitable for commercial and recreational use under the future management of PSFI.

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**WASTE MANAGEMENT**

The ever-growing volume of waste leading to environmental degradation necessitate that steps be undertaken to address the problem. Shell takes the lead in promoting the 3Rs of proper waste management through reduction, recycling and re-use.

**Shell Promotes Recycling**

Shell joined business leaders and the Department of Environment and Natural Resources (DENR) in staging the fifth annual Recyclables Collection Event (RCE), a recyclables collection activity held at various key cities nationwide in April and June 2006.

Recyclers were on hand to redeem recyclables for cash, in buying stations for junk electronics, scrap paper, glass, lead batteries/car batteries, aluminum cans, plastic PET (Polyethylene Terephthalate) bottles, among others set up in areas of Makati, Quezon City, Sta. Rosa Laguna, and Marikina City.

The Philippine Business for the Environment, chaired by Shell companies in the Philippines (SciP) Country Chair Edgar Chua, coordinated the RCEs.

These recyclable collection events were held to encourage people to do their share in caring for the environment and to ensure environmental security for future generations. This is the first year DENR and PBE partnered to boost awareness of people on the importance of care for the environment and on the value of recycling.

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**Shell Receives Citation for its Green Projects**

Shell was once again lauded in Nestle’s Greening the Supply Chain award, an annual environmental programme of Nestle Philippines, Inc. (NPI) that recognise environmental best practices. The citation was given to recognise Shell’s environmental projects, particularly the “Bawas Basura sa Barangay” or Triple B Programme.

PSFI and Pilipinas Shell Petroleum Corporation continue to extend support to the programme by helping in networking with other environmental institutions and monitoring its operations and financial status.
Bawas Basura sa Barangay (Triple B)

In an effort to promote proper waste management and recycling in the communities around its Pandacan Depot, Shell implemented the Triple B or Bawas Basura sa Barangay.

Triple B is a waste management system that aims to assist the barangays in establishing and managing their own waste management system. Created in 2001, it enables residents around the Pandacan depot to practice cleanliness and proper waste disposal through waste segregation schemes as well as derive additional income through the processing and selling of wastes.

The programme has adopted a four-pronged strategy to build up the environmental concerns of the community: local capability building; provision of facilities and equipment; information and education campaign; and enterprise development.

Numerous barangays in Pandacan, Manila are actively participating in the programme which has made residents more aware of the importance of managing waste and promoted recycling not only as an earth-friendly measure but also as a profitable source of livelihood.

Celebrating Mother Earth with Environmentally-Friendly Shell Product

Shell intensified its advocacy on the preservation of the environment during the 336th Makati Foundation Day celebration in May 2006. Pilipinas Shell Petroleum Corporation (PSPC) participated in the grand parade with a float that promoted a “smoke-free Makati City”.

The parade ushered PSPC’s environmental advocacy as showcased by its float design concept “Biyaheng Makati, Biyaheng Smoke-Free with Shell Diesoline Ultra”, that effectively highlighted the various benefits of using this Shell product. The float design communicated PSPC’s commitment to protect the environment, one of the key principles of Sustainable Development.

"Celebrate Mother Earth" was the theme of the 2006 celebration. The event showcased activities that promoted unity and social responsibility especially in preserving the environment and fostering environmental awareness amongst Makati residents.
BIODIVERSITY CONSERVATION

Shell recognises the fact that biodiversity - the extraordinary variety of life on earth - is fundamental and crucial to human existence. This is the reason why the company is committed to operating responsibly and is constantly looking for ways to integrate biodiversity considerations into its work around the world - from watershed conservation to formulating products that minimise harm to the environment.

**Saving the La Mesa Watershed**

Strongly committed to environmental preservation as defined in its Business Principles, Shell intensified its support for the Save the La Mesa Watershed project with the ABS-CBN Foundation Inc. (Bantay Kalikasan), which is meant to rehabilitate, protect, and develop the watershed that provides Metro Manila its water.

Aside from the adoption of 10 hectares of the La Mesa Forest and 25,200 square metres of the Shell Flower Terraces in the La Mesa Ecopark, Shell supported the coin bank drive through the donation of 10,000 cans used to raise funds for the environmental programmes to save the La Mesa Watershed.

The La Mesa Watershed has an area of 2,700 hectares covering the cities of Quezon, Marikina and Caloocan, and the province of Rizal. It is one of three (3) watersheds providing water to 12 million residents in Metro Manila. La Mesa currently has seventy-two (72) indigenous Filipino species and a gene bank for endangered species.

**Saving the Philippine Eagle**

Pilipinas Shell Petroleum Corporation (PSPC) and the Philippine Eagle Foundation (PEF) are in a continuous crusade to save the Philippine Eagle and its habitat. PSPC reiterated its commitment when it adopted another eagle, Magiting, a sub-adult male Philippine Eagle turned over to PEF in September 2002. PSPC joins a select group of eagle supporters who have been contributing annually to the Pag-Asa Support Fund since 1992. The fund fuels research and conservation breeding work needed to bring back the dwindling population of the eagles in the country.

PSPC and PEF started its partnership in 1987 to save the endangered national bird from extinction. A major milestone was achieved with the birth of Pag-Asa (Hope) - the first Philippine Eagle bred and hatched in captivity. The bird was bred using cooperative artificial insemination techniques while hatching was achieved by combining natural and artificial incubation.

The Philippine Eagle is the barometer of the health of the rainforest ecosystem in the country. Their conservation contributes to Sustainable Development (SD) and improves the quality of human life by maintaining biological diversity and environmental health.
Located in the southernmost part of Luzon Island, the Bicol region boasts of numerous spectacles and wonders. There are ruins of Cagsawa to explore where remnants of a church are still intact after a catastrophic volcanic eruption in 1814. The Hoyop-hoyopan Cave in Camalig is where bones and other relics of over 2,000 years old have been discovered.

The Mayon Volcano has the most symmetrical cone in the world. And last but not the least, the whale sharks of Donsol, Sorsogon attract hordes of whale-watching eco-tourists.

Amidst nature’s backdrop, Shell runs an oil depot and a host of social programmes in Bicol, including a training farm in Camarines Sur where out-of-school youths are trained by the Pilipinas Shell Foundation, Inc.
OVERVIEW

While businesses alone cannot create a sustainable future, they have an important role to play. Shell intends to play its part both as a member of society and an energy provider. Through Sustainable Development, Shell integrates the economic, environmental and societal aspects of its business. In 1997, the company made a public commitment to globally contribute to SD. Since then, it has kept its commitment alive with numerous activities undertaken to turn this into practical reality.

THE SEVEN PRINCIPLES THAT GUIDE SHELL

Shell’s initiatives are underpinned by seven principles of sustainable development that guide its decision-making. None are new to the way the company works, but taken together they help find a balance between Shell’s long and short-term goals.

1 Generating robust profitability
Successful financial performance is essential to the company’s sustainable future and contributes to the prosperity of society. Shell uses recognised measures to judge its profitability. The company seeks to achieve robust profitability by reducing costs, improving margins, increasing revenue and managing working capital effectively.

2 Delivering value to customers
Customers are the lifeblood of Shell’s business. The company seeks constantly to strengthen existing customer relationships and develop new ones. It strives to meet and exceed customer expectations by designing and delivering highly attractive and innovative products and services.

3 Protecting the environment
The natural environment supports all human activity. Shell continually looks for new ways to reduce the environmental impact of its operations, products and services throughout their life.

4 Managing resources
Efficient use of natural resources - for example - energy, land, and water - reduces the company’s cost and respects the needs of future generations. Shell constantly looks for ways to minimise their use.

5 Respecting and safeguarding people
Shell aims to treat everyone with respect. The company strives to protect people from harm from its products and operations. It aims to respect and value personal and cultural differences and try to help people realise their potential.

6 Benefitting communities
Wherever Shell works, it is part of a local community. The company will constantly look for appropriate ways to contribute to the general well-being of the community and the broader societies who grant it licence to operate.

7 Working with stakeholders
Shell affects, and is affected by, many different groups of people including its stakeholders. The company aims to recognise their interest in its business and to listen and respond to them.

Shell aims to have a Health, Safety and Environment (HSE) performance it can be proud of, to earn the confidence of customers, shareholders and society at large, to be a good neighbour, and to contribute to the principles of Sustainable Development.

SciP are among the few entities in the country’s industry that have a full-time organisation managing the HSE of their business worldwide. Commitment and dedicated resources ensure that the country’s HSE laws and regulations are strictly complied with and the Shell Group’s rigid HSE standards are upheld.
SOCIAL PERFORMANCE

Social Performance is the various ways that Shell manages the impacts - positive or negative - of its operations on business, communities and societies. Being a good neighbour flows from the seven principles that set the company’s business directions.

SOCIAL PERFORMANCE IN PANDACAN

The Pandacan Scale Down Programme commenced in 2001 to address the safety concerns arising from the presence of a community near an oil depot. Through the programme, it was able to assure the public on the safety and security of the depots while providing the country with a safe and secure supply of petroleum products. The scale down operations likewise helped transform Pandacan into a more enjoyable environment through the creation of a linear park as part of the green buffer zones.

But more importantly, the Pandacan Scale Down Programme paved the way for intensified social development initiatives for the community residents of Pandacan, with the aim of helping uplift the socio-economic condition of the barangays.

Through the efforts of Pilipinas Shell Foundation, Inc. (PSFI), the social arm of Shell companies in the Philippines, the PEACE (Pandacan Expanded Assistance for Community Empowerment) programme was launched with employment generation, skills development and provision of livelihood opportunities as core programme strategies.

Several initiatives were also launched under the PEACE programme. It embarked on five (5) major programmes and services, which were implemented depending upon the readiness of the community to participate. These included Basic Social Services, Livelihood and Enterprise Development, Capability Building/Cooperative Development, Education and Youth Development, and Environmental Management.

The PEACE (Pandacan Expanded Assistance for Community Empowerment) programmes were created as a result of well-drawn discussions and engagements in order to fully ensure the needs of the Pandacan communities. Using employment generation, skills development and provision of livelihood opportunities as core programme strategies, the following initiatives were launched:

Joblink Programme provided employment opportunities to the unemployed residents with the help of partner agencies and companies. It created a systematised joblink database of partners and applicants as well as offered proper work orientation to its residents.

Community Skills Upgrading offered various training programmes and skills upgrading courses to help increase the skills and employability of its residents. Four courses were offered under the programme, namely: Basic Small Appliance Repair Course, Hotel and Restaurant Services, Computer Technical Support Course and Animation Skills Development Course.

Sanayan sa Kakayahang Industriyal (SKIL) provided Pandacan out-of-school youths with a one-year technical/industrial course that gave them proper knowledge, skills, and the right attitude to increase their employment opportunities.

Suporta sa Buhay (SUHAY) extended loan assistance to individuals and small businesses.
Maghanapbuhay sa Bahay (MAGBUHAY) gave training to residents on various home-based livelihood enterprises.

Sanayan sa Kakayahang Pangangalakal (SKP) provided training to micro-entrepreneurs to equip them with entrepreneurial skills to better manage their business.

Programang Pangkalusugan ng Mamamayang Nagkakaisa sa Pandacan (PAMANA) provided an integrated health, safety and environment programme.

Barangay Emergency Response Programme (BERP) provided workshops for disaster management and basic life support.

Specialised English Enhancement Course for Teachers (SPEECH) provided training centres to increase the English proficiency of teachers.

12 milestones marked the 12-month (January-December 2006) implementation:

1. 125 residents were provided with employment;
2. 100 youths and idle residents upgraded their skills and were provided with training on home-based courses for increased employability;
3. 10 out-of-school youths were provided with scholarships in technical-vocational courses;
4. 150 micro-entrepreneurs were identified and provided with SKP training and financial assistance;
5. Enhanced skills of at least 120 residents in leadership, project management, and financial management through various trainings were also achieved;
6. 30 residents were trained on emergency management and basic life support;
7. An integrated health programme was formulated and introduced;
8. Shell employees were engaged to participate in community activities;
9. Functional Barangay Emergency Response Teams were put in place;
10. Income of SUHAY beneficiaries were sustained;
11. Community profile was reviewed and established;
12. Continuous participation and awareness of barangay residents in Shell-PSFI activities were put in place.
SOCIAL PERFORMANCE IN DISTRIBUTION DEPOTS

Seaweeds Culture And Bangus Growing Programme
Bring Livelihood in Sasa

The Shell Sasa team initiated a seaweeds culture and bangus (milkfish) growing programme aimed at providing livelihood for residents living in the area north of the depot and a source of additional income for its contracted staff. The programme involved construction of twenty (20) cages that will be used to cultivate seaweeds and bangus in the waters of Pakiputan Strait just beside the depot's jetty.

Ten (10) cages that can each hold fifty (50) kilos of seaweeds have been built and seedlings donated by the Bureau of Fisheries and Aquatic Resources have been planted. The depot's contracted staff and neighbouring residents conduct a weekly clean-up of cages to ensure a healthy harvest. Eventually, they will sell the seaweeds and milkfish to local industries. Seaweeds are a staple diet amongst most Davaoeños and have a huge market in the region. The proceeds from the sale will be divided amongst the contracted staff and local residents.

Shell Lapus Sustains Commitment to the Environment

Shell Lapus held the 7th Piyesta sa Kakahuyan with the theme "Trees for Fresher and Greener Environment" on September 30, 2006. The team has been continuously supporting the endeavours of the Department of Environment and Natural Resources (DENR) for seven straight years. Volunteers from different government units, agencies and organisations hiked the wet mountains of Morabaro and planted hundreds of Mahogany seedlings.
SHELL PHILIPPINES EXPLORATION B.V. (SPEX)
Social Development Programmes

The social development programmes of the Malampaya Joint Venture Partners, Pilipinas Shell Foundation, Inc. (PSFI) and Malampaya Foundation continue to serve people and habitats in Batangas, Mindoro, and Palawan with programmes that promote livelihood opportunities, literacy, basic health care, and employment - the hallmarks of human and community development.

Palawan

Kilusan Ligtas Malaria (KLM)
There have been 641,839 people who benefited from the programme in 2006 and have been involved in the activities to contribute to the control and elimination of malaria in the province. At the end of 2005, a sixty-four percent (64%) decrease in malaria cases and a fifty-six percent (56%) decrease in deaths were recorded.

Lingap sa Kalusugan ng Palawan (Lingap)
In 2006, close to 19,000 individuals have been part of this public-private endeavour that helps improve health care delivery by utilising alternative health resources, systems and technologies.

Impok Pangkalusugan (IpK)
IpK is a community health programme providing wider access to health services and facilities, with over 1,000 beneficiaries in 2006 in Palawan.

Tanglaw Kalusugan
The project, which assisted 481 individuals in 2006, aims to provide steady, reliable and cost-efficient solar power to all the health/microscopy centers in the province of Palawan. Established in January 2006, the project provided solar power to 454 barangay health stations and 24 rural health units. 450 solar units were installed, resulting in quicker turnaround time for medical tests.

Palawan Adventist Hospital Upgrade and Charity Programme
The Malampaya Joint Venture Partners provided a one-on-one counterpart fund to the Palawan Adventist Hospital (PAH) Charity Programme. PSFI oversees the implementation of the charity programme by the hospital, with focus on mother and child care, infectious diseases, and burns and trauma. In 2006, there are a total of 60 beneficiaries of the programme.

Palawan Adventist Hospital Upgrade and Charity Programme

Palawan

The virgin forests of Palawan are home to numerous and rare flora and fauna found nowhere else in the Philippines. Similarly, the province is the site of various Shell health and livelihood programmes.
**Northern Palawan Sustainable Livelihood Project (NPSLP)**

In 2006, NPSLP covered 1,707 people in ten municipalities in North Palawan, with focus on livelihood and entrepreneurship programmes on fishing and agriculture, as well as eco-tourism.

**Unlad Kabuhayan**

A joint endeavor that seeks to uplift coastal communities through financial aid to generate more employment and livelihood opportunities for fisherfolk, farmers, and micro-entrepreneurs, and to enhance productivity in the fishery sector, the programme reached 320 individuals in 2006.

**Rural Electrification through Solar Power**

The priority beneficiaries of the project are 75,000 households in barangays that are not yet connected to main power grids.

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**Batangas**

**Sanayan sa Kakayahang Industriyal (SKIL/E-SKIL)**

From 2002 to date, 410 TALIM TSR residents have benefited from the programme, which was designed for out-of-school youth (OSY) and other unemployed residents of the TALIM-TSR.

**Suporta sa Buhay (SUHAY) and Sanayan sa Kakayahang Pangangalakal (SKP)**

Some 3,306 residents have benefitted from the PSFI programmes toward the upliftment of the residents' livelihood.

**Self Employment Programme (SEP)**

Since 2005, some 219 beneficiaries from TALIM-TSR have trained in various programmes such as Barbero sa Barangay, Cosmetology and Foot Spa, and Food Processing.

**Local Capability Building**

Since 2004, 118 public school teachers from TALIM-TSR have undergone an English enhancement training.

**Expanded Impok pangKalusugan (E-IpK)**

Some 2,488 Batangueños have been enjoying the benefits of membership in IpK, an improved insurance scheme launched in 2001.

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**Mindoro**

**Sanayan sa Kakayahang Industriyal (SKIL)**

- **Structural Welding Course**
  
  Seventeen (17) women who were given welding courses began their on-the-job training at Atlantic Gulf and Pacific (AG&P) Company of Manila, Inc. in Bauan, Batangas, in October 2006. Shortly after, AG&P hired them as structural welders.

- **Automotive Servicing Course NC II**
  
  Twenty-six (26) scholars trained on Automotive Servicing in July 2006 began their on-the-job training in November 2006, in different auto repair shops across Batangas City. Fifteen (15) qualified for OJT at Honda Motors Corporation in Santo Tomas, Batangas, which started on December 1, 2006.
Sanayan sa Kakayahang Agrikultura (SAKA)
There were forty SAKA scholars on a programme that started in November 2006. These scholars are trained on soil fertility analysis, crop and animal production, vegetable gardening, agroforestry, aquaculture, cut-flower production, and farm planning.

SPEECH Project
The provincial government agreed to a partnership with Malampaya on the SPEECH Project in Oriental Mindoro. The provincial government will establish a training laboratory for this project, providing at least fifteen (15) computer units with Internet access.

Agri-fishery Programme on Livelihood Alternatives for the Youth and Adults (APLAYA)
The second batch of 160 beneficiaries graduated from the programme on July 20, 2006. The APLAYA Programme is an ongoing programme implemented by the MinSCAT Bongabong Campus.

The Oriental Mindoro Integrated Coastal Management Planning Conference
On January 11-13, 2006, the Provincial Agriculture Office, WWF, and Floatech organised the conference aimed to gather national, regional, and local stakeholders to craft the Five-Year Oriental Mindoro Provincial Integrated Coastal Zone Management Plan (ICZM).

PILIPINAS SHELL FOUNDATION, INC. (PSFI)
Pilipinas Shell Foundation, Inc. (PSFI) was established in 1982 as the social development arm of the Shell companies in the Philippines that enables the disadvantaged to become productive and responsible members of society.

In 24 years, PSFI has touched the lives of numerous individuals through the successful development and implementation of various programmes:

• Kilusan Ligtas Malaria (KLM)
  A community-based malaria control programme, KLM aimed to contribute to the control and elimination of malaria through strategies such as community organising, awareness raising, capability building, researching, advocacy and networking. The programme, initiated by SPEX with the Palawan Provincial Government, has helped reduce malaria cases by 67 percent and deaths by 76 percent in Palawan, since 2000.

  The accomplishments of PSFI and its partners in implementing Kilusan Ligtas Malaria in Palawan have paved the way in making PSFI the Principal Recipient of a grant from the Global Fund to Fight AIDS, Tuberculosis, and Malaria. Dubbed the Movement Against Malaria (MAM), PSFI is working with Global Fund, Department of Health, World Health Organisation, and Local Government Units to bring down malaria incidence and mortality by as much as 70 percent in the Provinces of Palawan, Apayao, Quirino, Tawi-Tawi, and Sulu.

• Impok pang-Kalusugan (IpK)
  Designed primarily to encourage people and Local Government Units to gain access to health services, this community-based health insurance programme provided otherwise inaccessible and unaffordable health care services especially to the low-income sector, in the areas of Palawan and Batangas.

• Operation Bright Eyes
  The extensive organisational structure developed by PSFI through the KLM and Lingap enabled the establishment of another partnership with the Cataract Foundation of the Philippines in Palawan. Operation Bright Eyes provides for the cost of cataract surgery and other eye problems, subsidised eyeglasses and a consistent health-care information campaign.
• **Sanayan sa Kakayahang Industriyal (SKIL)**
  Established in 1983, SKIL aims to teach industrial or technical-vocational skills to poor but deserving Filipino youths by offering a one-year scholarship grant. Outstanding SKIL scholars have earned recognition from prominent award-giving bodies like the Ramon Magsaysay Foundation, Toyota, Nissan, and by the Technical Education and Skills Development Authority (TESDA).

• **Sanayan sa Kakayahang Agrikultura (SAKA)**
  SAKA programme has been transforming rural out-of-school youths into a new breed of farmers since its establishment in 1985. The one-year programme offers not just agricultural skills training imparting scientific farming technologies to scholars, but business skills as well.

• **Integrated Farming Biosystem (IFBS)**
  IFBS aimed to educate farmers in maximising their resources through an environment-friendly, market-driven and financially rewarding practice.

• **Sanayan sa Kakayahang Pangangalakal (SKP)**
  SKP features an entrepreneurship skills development course, technical assistance as well as access to micro-credit necessary to establish and expand small enterprises in poverty-stricken areas of Pandacan, Batangas, among others.

• **Shell Youth Business Camp (YBC)**
  YBC offers a three-day camp for out-of-school youth, wherein they learn business and management skills through games and simulation activities. YBC provides access to microfinance necessary to put up the youth participants' dream businesses.

• **Shell ‘Gas Mo, Bukas Ko’ (GMBK) Programme**
  GMBK provides training for retail station attendants on basic skills and alternative livelihood training programmes. These programmes seek to enhance the employable and livelihood skills of the GMBK scholars as well as developing their values and character. The programme aims to reach 200 Shell retail gas station attendants in 2007 alone.

From helping the first batch of 86 out-of-school youths in 1983, PSFI has reached out to 689,809 beneficiaries by the end of 2006, and continues to touch lives in response to the needs of the times.
SD ADVOCACY AND TRAINING

SD GOES TO PANDACAN

A Sustainable Development (SD) Workshop entitled “Looking Through the SD Lens” was conducted in Pandacan to create awareness among Shell staff and contractors on the value of implementing SD as an integral part of business operations of the Shell companies in the Philippines.

The thirty (30) workshop participants gained a better understanding of SD, developed awareness on the importance of SD to Shell’s business operations, and learned about how they can apply SD in their personal lives as well as what they can do to take part and contribute to promote the SD advocacy of Shell.

The workshop also emphasised the importance of having an integrated view of SD among Shell employees and contractors. This is significant as SD is fast evolving in the Shell community as evidenced on its best practices in implementing social programmes.

SHELL SUPPORTS PIONEERING ENVIRONMENTAL CONFERENCE

Shell supported the pioneering workshop on Green Productivity, Green Purchasing for a Green Philippines (GP3) in October 2006. The workshop, a joint project of the Department of Trade and Industry (DTI), Department of Environment and Natural Resources (DENR) and Clean and Green Foundation, featured international experts who shared their knowledge on environmentally responsive processes and practices.

The GP3 Conference aimed to share the competencies and impetus to get the programme running with the government as lead in green productivity and green procurement. Green productivity is defined as manufacturing using environment-responsive materials and processes. It is being increasingly practiced by the world’s biggest manufacturers.

SHELL SPONSORS ASIA’S LEADING CONFERENCES ON CORPORATE SOCIAL RESPONSIBILITY

Shell led businesses in sponsoring two major conferences on Corporate Social Responsibility, including the 5th Asian Forum on Corporate Social Responsibility (AFCSR) and the 4th Philippine CSR Expo.

The AFCSR, featuring the theme “Harnessing CSR for Development and Democracy”, presented Asia’s most exciting and comprehensive projects in Environmental Excellence, Best Workplace Practices/Employee Ownership, Social Issues Response and Community Involvement, Human Rights Initiatives, and Supply Chain Responsibility. The two-day conference featured 28 information-packed special interest sessions on CSR strategies, eight plenary briefings on CSR challenges and opportunities for business, government, and civil society.

As part of the conference, Shell arranged a visit to the Pandacan depot for select international delegates wherein they learned about social performance programmes being implemented by Shell for the communities in the area.
In support of its thrust of nation building through CSR Advocacy, Shell led in presenting diverse CSR approaches through the 4th CSR Expo, which featured a three-day conference and exposition with the theme “Let’s Take CSR to Heart”. The expo, which attracted 4,300 participants, presented experiences, learnings, best practices of various companies on CSR implementation through interactive plenary and breakout sessions as well as exciting exhibit booths.

The three-day event was capped by a closing programme organised by Shell, with the theme centred on the inherent Filipino traits that paved the way for solidarity towards overcoming social developmental challenges and supporting nation building.

SD-HSSE WEEK: LEADERSHIP AT EVERY LEVEL

In line with the celebration of the Global Safety Week, the SD-HSSE Week 2006 was launched on June 12, 2006. The theme was "Leadership at every level". Locally, Shell companies in the Philippines kicked off the celebration with Mission Possible III. The event emphasised the importance of the three HSE Golden Rules - Comply with the law, Intervene in unsafe acts, and Respect for neighbours. A number of Sustainable Development and Health, Safety, Security and Environment (SD-HSSE)-related activities were lined up for staff participation.

SHELL LEADS BUSINESSES IN CHAMPIONING HEALTH TOWARDS THE UNITED NATIONS MILLENNIUM DEVELOPMENT GOALS (UN MDGs)

Shell remained steadfast in chairing the Health Cluster for the Millennium Development Goals (MDG), in strong support to the government and the United Nation’s global fight against killer diseases, medical deficiencies, and health woes. The company continued to engage with the Philippine Business for Social Progress (PBSP) and other NGOs to implement the health programmes as well as continued encouragement with other companies and industries to join this worthy cause and align their existing health projects with the MDG. Shell also participated in several health forums and shared programmes with other socially responsible companies.

The year 2006 was also a year of advocating the health programmes under the MDG such as:

- Kilusan Ligtas Malaria
- Supplementary Feeding
- HIV/AIDS in the Workplace and Community
- TB DOTS in the Workplace and Community
- Responsible Parenthood
- Leaders for Health
SHELL-GAWAD KALINGA VILLAGES

Shell now has 4 Gawad Kalinga (GK) villages in the areas of Libjo and Ambulong in Batangas, Libas, Southern Leyte and Calabanga, Camarines Sur. Pilot farms in 4 GK sites are also being jointly developed by GK with Pilipinas Shell Foundation, Inc. (PSFI) in Camarines Sur/Norte/Albay.

Each year, Shell organises GK Pledge and Build events to provide staff a chance to contribute their financial and physical resources in helping build its Shell-GK communities.

To date, Shell has built over 140 houses in 3 sites and provided education to close to 90 school children.

Project Malasakit Shell Staff Volunteer Programme

Since its formal inception in 2005, the Project Malasakit Shell Staff Volunteer Programme continues to aim to provide staff with another way to make a contribution towards Shell’s commitment to sustainable development and its core purpose of “helping people build a better world”.

In the past two years, close to 500 employees contributed their financial resources, expertise and time to various initiatives including PSFI mentoring programmes, Gawad Kalinga build events and education programme, La Mesa nursery activities, among various others.

Zamboanga

Located in Western Mindanao, the Zamboanga peninsula is made up of three provinces: Zamboanga del Norte, Zamboanga del Sur and Zamboanga Sibugay. Its bustling cities serve as the centres of trade, commerce and education in the region. Shell runs a vast network of service stations as well as implements health, safety and environment programmes all over Mindanao.
Introduction

The Shell General Business Principles govern how each of the Shell companies which make up the Shell Group* conducts its affairs.

The objectives of the Shell Group are to engage efficiently, responsibly and profitably in oil, gas, chemicals and other selected businesses and to participate in the search for and development of other sources of energy to meet evolving customer needs and the world's growing demand for energy.

We believe that oil and gas will be integral to the global energy needs for economic development for many decades to come. Our role is to ensure that we extract and deliver them profitably and in environmentally and socially responsible ways.

We seek a high standard of performance, maintaining a long-term and growing position in the competitive environments in which we choose to operate.

We aim to work closely with our customers, partners and policy-makers to advance more efficient and sustainable use of energy and natural resources.

Our Values

Shell employees share a set of core values - honesty, integrity and respect for people. We also firmly believe in the fundamental importance of trust, openness, teamwork and professionalism, and pride in what we do.

Sustainable Development

As part of the Business Principles, we commit to contribute to sustainable development. This requires balancing short and long term interests, integrating economic, environmental and social considerations into business decision-making.

Responsibilities

Shell companies recognise five areas of responsibility. It is the duty of management continuously to assess the priorities and discharge these inseparable responsibilities on the basis of that assessment.

To shareholders

To protect shareholders investment, and provide a long term return competitive with those of other leading companies in the industry.

To customers

To win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety, and environmental impact, which are supported by the requisite technological, environmental and commercial expertise.

To employees

To respect human rights of our employees and to provide them with good and safe working conditions, and competitive terms and conditions of employment. To promote the development and best use of talents of our employees; to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents. To encourage the involvement of employees in the planning and direction of their work; to provide them with channels to report concerns.

We recognise that commercial success depends on the full commitment of all employees.

To those with whom we do business

To seek mutually beneficial relationships with contractors, suppliers and in joint ventures and to promote the application of these Shell General Business Principles or equivalent principles in such relationships. The ability to promote these principles effectively will be an important factor in the decision to enter into or remain in such relationships.

To society

To conduct business as responsible corporate members of society, to comply with applicable laws and regulations, to support fundamental human rights in line with the legitimate role of business, and to give proper regard to health, safety, security and the environment.

PRINCIPLE 1 : Economic

Long term profitability is essential to achieving our business goals and to our continued growth. It is a measure both of efficiency and of the value that customers place on Shell products and services. It supplies the necessary corporate resources for the continuing investment that is required to develop and produce future energy supplies to meet customer needs. Without profits and a strong financial foundation, it would not be possible to fulfill our responsibilities.

Criteria for investment and divestment decisions include sustainable development considerations (economic, social and environmental) and an appraisal of the risks of the investment.

PRINCIPLE 2 : Competition

Shell companies support free enterprise. We seek to compete fairly and ethically and within the framework of applicable competition laws; we will not prevent others from competing freely with us.

PRINCIPLE 3 : Business Integrity

Shell companies insist on honesty, integrity and fairness in all aspects of our business and expect the same in our relationships with all those with whom we do business. The direct or indirect offer, payment, soliciting or acceptance of bribes in any form is unacceptable. Facilitation payments are also bribes and should not be made. Employees must avoid conflicts of interest between their private activities and their part in the conduct of company business. Employees must also declare to their employing company potential conflicts of interest. All business transactions on behalf of a Shell company must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.

PRINCIPLE 4 : Political Activities

a. Of companies

Shell companies act in a socially responsible manner within the laws of the countries in which we operate in pursuit of our legitimate commercial objectives.

Shell companies do not make payments to political parties, organisations or their representatives. Shell companies do not take part in party politics. However, when dealing with governments, Shell companies have the right and the responsibility to make our position known on any matters which affect us, our employees, our customers, our shareholders or local communities in a manner which is in accordance with our values and the Business Principles.

b. Of employees

Where individuals wish to engage in activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate in the light of local circumstances.

PRINCIPLE 5 : Health, Safety, Security and the Environment

Shell companies have a systematic approach to health, safety, security and environmental management in order to achieve continuous performance improvement.

To this end, Shell companies manage these matters as critical business activities, set standards and targets for improvement, and measure, appraise and report performance externally.

We continually look for ways to reduce the environmental impact of our operations, products and services.

PRINCIPLE 6 : Local Communities

Shell companies aim to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general well-being of the communities within which we work.

We manage the social impacts of our business activities carefully and work with others to enhance the benefits to local communities, and to mitigate any negative impacts from our activities.

In addition, Shell companies take a constructive interest in social matters, directly or indirectly related to our business.

PRINCIPLE 7 : Communication and Engagement

Shell companies recognise that regular dialogue and engagement with our stakeholders is essential. We are committed to reporting of our performance by providing full relevant information to legitimately interested parties, subject to any overriding considerations of business confidentiality.

In our interactions with employees, business partners and local communities, we seek to listen and respond to them honestly and responsibly.

Principle 8 : Compliance

We comply with all applicable laws and regulations of the countries in which we operate.

*Royal Dutch Shell plc and the companies in which it directly or indirectly owns investments are separate and distinct entities. But in this publication, the collective expressions ‘Shell’ and ‘Shell Group’ may be used for convenience where reference is made in general to those companies. Likewise, the words ‘we’, ‘us’, ‘our’, and ‘ourselves’ are used in some places to refer to the companies of the Shell Group in general. These expressions are also used where no useful purpose is served by identifying any particular company or companies.